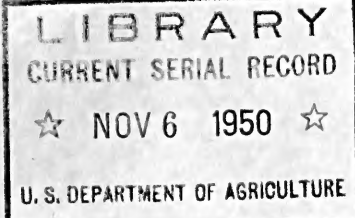


1771
58 Ag 82
Cap 2



1951 OUTLOOK ISSUE
FOR RELEASE OCT. 28, P. M.

The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

WASHINGTON, D. C.



OCTOBER 1950

Most farmers will receive higher incomes in 1951 than this year, but production goods, family living and taxes will cost them more.

The outlook for higher incomes stems from: 1. the likelihood that prices of most farm products will average well above 1950 levels; and 2. the prospect that agricultural production will total the largest in history, if the weather is normal.

Prices received by farmers crept upward through most of the first half of this year, then climbed rapidly after the Korean war broke out. By mid-September prices averaged 10 percent higher than in mid-June. The gains so far mean that farmers' prices will be considerably higher than a year earlier as 1951 begins.

Much of the expected boost in farm output will come from meat animals and cotton. Cattle and hog marketings are expected to increase and the cotton crop is likely to be much larger than this year's small output. Smaller increases are expected for other farm commodities.

With prices and production both up, farmers probably will get about 10 percent more from marketings than this year. Since production expenses probably will not go up as much, the net income realized by operators may rise 15 percent or more but probably not to the levels of either 1947 or 1948. And rising prices will hold the purchasing power of farm income below each of those two years.

Behind the prospect for a stronger consumer demand for farm products is the outlook that business and industrial activity will continue at a high rate well into 1952. The economy has been on the upgrade since mid-1949; is now operating at the highest levels in history except for the peak of the World War II effort. Employment and consumer income are at record levels, and will be pushed higher.

Chief factor in the business and industrial outlook is the Defense program. Military spending is now running at an annual rate of about 15 billion dollars. Under the present program, the rate is expected to about double by mid-1951, and will continue to rise in the 1951-52 fiscal year. This will mean more jobs, higher wages, longer hours of work -- and expanding buying power of consumers.

Foreign demand for many U. S. products is also likely to increase, with food a probable exception. We are now importing at the highest rate since the war ended and are likely to buy more abroad as the stock-piling program gains momentum. The additional dollars received by foreign countries from this trade will more than offset reductions in U. S. economic aid. Furthermore, special appropriations for foreign military aid will finance exchange of goods for military uses.

Strengthening in domestic and foreign demand will push upward on prices of most consumer and industrial commodities. In addition, supplies of some goods, particularly consumer durable goods, may become shorter as materials are diverted into goods for the Armed Services.

However, inflationary tendencies may be checked considerably by higher taxes, credit restrictions, allocation of scarce materials and control of inventories. Steps in these directions already have been taken. Furthermore, the President has authority to set ceilings on prices and wages and to ration consumer goods.

LIVESTOCK AND MEAT With numbers of cattle and hogs growing, plenty of feed on hand and a strong demand in prospect, production of meat is likely to increase again next year. The gain probably will be enough to raise consumption per person about 3 pounds above the 1950 level of 145. Practically all of the increase will be pork and beef. Production of veal, lamb and mutton is not likely to change much.

Prices farmers receive for each class of meat animals are expected to average moderately above 1950.

DAIRY PRODUCTS Sharp increases in consumer demand in prospect for 1951 mean higher prices for milk and other dairy products. The rise in demand will be enough to more than offset the effects of increased stocks and the expected drop in exports.

Output of milk in 1951 is likely to be about the same as this year. A greater increase in prices for meat animals and some cash crops than for dairy products will tend to prevent increased milk production in some areas. Greater opportunities for off-farm employment may make labor more difficult to obtain. Increased acreages of wheat, corn and other cash crops will tend to end increases in cow numbers in areas where these crops are grown.

EGGS AND POULTRY Prices for eggs are not likely to rise as much in 1951 as most other farm products. Although the number of potential layers on farms next January 1 may be smaller than at the beginning of 1950, increased output per layer probably will keep total supplies near 1950 levels. Through September this year about 6 percent of total egg production was sold to USDA under the price support program. No support program for eggs had been announced by late October.

Supplies of chicken and turkey are expected to be large during the early months of 1951. Prices, as the year begins, are likely to be about the same as at the beginning of this year.

FATS AND OILS Prices of most fats and oils are likely to average higher in the year which began October 1 than in 1949-50. Domestic demand will be stronger, with a greater increase for fats and oils used in industrial products than those used for food. Foreign demand also is likely to strengthen. Supplies will be only slightly below last season's record.

FEEDS Livestock producers will have more cattle and hogs in 1951 than this year and will continue to feed them liberally. This will mean stronger demand and higher prices for most feeds and some reduction in our stocks of feed grains. Corn prices this fall probably will not fall as far below the support level as last year and may average near the support level for 1950-51. Oats and barley probably will continue higher than a year earlier through next spring. Prices of high protein feeds, which are low compared with feed grains, probably will advance and average higher in 1950-51 than last season.

Feed concentrate supplies are only a little below last season's record. Hay supplies are larger, compared with the number of animal units to be fed, than in any other year.

WHEAT If the acreage seeded to wheat equals the National allotment of 72.8 million and yields are average, the 1951 crop would be 1,150 million bushels. This year's output was 1,010 million. Since stocks next July are expected to be about 450 million, the total supply for 1951-52 would be 1,600 million bushels. Since domestic consumption probably will be about 730 million, U. S. supplies probably would be adequate in an emergency.

FRUITS AND VEGETABLES A moderately larger deciduous fruit crop is probable next year if the weather is average. Demand will be stronger and prices for most crops probably will average higher than this year. Export demand for fruit is stronger this season than last and is likely to strengthen further in 1951-52.

Demand for fresh vegetables probably will be stronger in 1951. Past trends indicate slightly larger production. Slightly higher average prices than this year are expected.

Larger quantities of most vegetables probably will be canned or frozen in 1951 than this year. To get the additional production, processors probably will offer higher prices to vegetable growers.

Considerably more potatoes probably will be produced in 1951 than will be consumed. Prices are likely to drop considerably below levels of recent years since it appears that there will be no price support program.

COTTON AND WOOL With the cotton textile industry booming, demand for cotton is very strong. Consumption in the U. S. in 1950-51 is expected to be around 10 million bales. To insure sufficient fiber for domestic use and stocks, export licenses were invoked in September and an interim export allocation of 2 million bales was established.

The Secretary of Agriculture has announced that there will be no marketing quotas or acreage restrictions on the 1951 crop. He expressed hope for a 16 million bale crop.

The total supply for 1950-51 is 16.7 million bales -- a crop of 9.7 million, stocks of 6.8 million and imports of .2 million.

Strong consumer demand and considerably larger military requirements for wool are in prospect for 1951. Since the world supply is smaller, domestic growers are likely to get higher prices next year.

TOBACCO Cigarette production, which takes 75 to 80 percent of all tobacco used in the U. S. probably will set another new record next year. This will keep demand for cigarette tobacco strong. Flue-cured supplies are fairly tight but there are ample supplies of Burley and Maryland tobaccos.